

98-84330-17

Warner, John DeWitt

Bank-note currency

[S.I.]

[1894?]

98-84330-17

MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES  
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

332 Warner, John De Witt. 1851-1925.  
Z8 Bank-note currency; speech  
in the House of representatives, Wednes-  
day, December 19, 1894.  
O. 31 p.

No. 25 of a volume of pamphlets.

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA ☒ IIA IB IIB

DATE FILMED: 2-10-98 INITIALS: FB

TRACKING #: 30264

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

No. 25.

Bank-Note Currency.

SPEECH

OF

HON. JOHN DE WITT WARNER,  
OF NEW YORK,

IN THE HOUSE OF REPRESENTATIVES,

Wednesday, December 19, 1894.

The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 8149) to amend the laws relating to national banking associations, to exempt the notes of State banks from taxation upon certain conditions, and for other purposes—

Mr. WARNER said:

Mr. CHAIRMAN: If anyone not accustomed to the proceedings of Congress had been here during the last two days, and especially if that unsophisticated gentleman had not been acquainted with the English language, he would have been convinced that the Republic was in danger; and when he heard the frenzied appeals of my friend from Massachusetts [Mr. WALKER] and my friend from Indiana [Mr. JOHNSON] he would have feared that there was a situation confronting this country which was more urgent in character than when Hannibal was before the gates of Rome. But I take it, sir, that we here all understand just what that means; and that, without in any way depreciating or criticising the logic by which that frenzy was accompanied, we may all assume that it is simply a sample of the terrific uproar so invariably made on the other side of the House when it is afraid the Democratic party is going to do something.

And so, sir, I trust that in the limited time allotted me I shall be excused from replying to that part of the remarks of the gentlemen who have spoken against this bill. Indeed, I should be very reluctant to add new discords to my own swan song in the attempt to match the bugle note that is blown so shrilly by the gentleman from Massachusetts, or to rival the peal of the alarm bell the rope of which has been so impetuously "yanked" by my friend from Indiana. [Laughter.]

CORRECTIONS.

At the same time, sir, in advance of what I shall have to say in support of this bill, I shall take a few moments to note some of the suggestions of my friend who has just taken his seat. If we are to adopt the principle of *ex uno disce omnes* I am sure that on reflection he will agree with me that there is but very little left of the elaborate argument which he has been so carefully spreading before us. If I remember it correctly, one of his first startling statements of fact was that the Comptroller of the Currency—the one Democratic official who had especially in his purview and watchful care the banking and currency system of this country—was opposed to the State bank feature of the Secretary's bill.

I have no doubt that my friend believed that, because he went on and attempted to quote from memory what he understood the Comptroller of the Currency had said. The only trouble is that the gentleman misunderstood the Comptroller. The Comptroller did not insist, as the gentleman from Indiana appeared to believe he did, upon "national supervision;" but the Comptroller did say—and I am quoting from the stenographic report of his remarks—that the question of the safety of the issue of notes by State banks would, in his mind, turn entirely upon the construction placed upon the "right of investigation" of note-issuing banks reserved by the Federal authorities. In other words, the Comptroller of the Currency clearly informed the committee that, provided the right of investigation was insisted upon, this, in his mind, would solve the question of the safety of State bank currency. Now, sir, I would not perhaps go as far as the Comptroller of the Currency in that direction, but I hope I am not officiously volunteering when in his behalf I object to having him taken prisoner and carried as far into the camp of the enemy as is attempted by the gentleman from Indiana.

There is another misapprehension under which the gentleman from Indiana is laboring. He stated—and I have no doubt he will be as glad to be corrected as anyone can be to make the correction—that all of the expert bankers who appeared before the Committee on Banking and Currency were against the Carlisle bill, so called. Now, Mr. Chairman—and I call upon the gentleman from Indiana to corroborate my statement, for I think he will agree with me when he comes to recall the exact facts—with the exceptions of Mr. St. John and Mr. A. J. Warner, of Ohio (who were in favor of no bank-note currency along any line, and least of all along any line suggested by the gentleman from Indiana), the other banking experts, with probably one exception, came before the committee advocating the principles upon which the Carlisle bill is based, and to a large extent approving of its very details.

It is true that nearly every one of them suggested some particular in which he would like to have it amended, but the approval was general of some such change from the system with which we are loaded at present. Indeed, it was assumed that both the Carlisle plan and the Baltimore plan were so much better than the present system that the only question was as to what amendments either should receive to make it more perfect. The one noteworthy exception was a gentleman of high repute from the city of New York, the one man among those who appeared before the committee who was perfectly satisfied with the present national banking act—a man who, although he had had the bonds of his bank put up for thirty years so as to enable him to take out circulation, had not taken out a single dollar because, as he explained, his bank had too much honest pride to be connected with such a system as was the national banking system in its currency features!

A MEMBER. Is that the Chemical Bank?

Mr. WARNER. That is the Chemical Bank. It is also suggested, Mr. Chairman, as one of the terrific things that are going to happen if this Carlisle bill is enacted into law, that it will release, I think the gentleman from Indiana said, \$165,000,000 of the present reserve of the national banks, and that that green billow of legal tender will immediately come, in a perfect breaker of disaster, upon the national Treasury, demanding gold redemption. That would happen only in case the national banks should, with one accord, conclude not to keep any reserve. As a matter of actual fact, in the cases where no reserve has been required by

Federal law, those of the State banks, it is found to be true that reserves are, on the whole, equal to those which are kept by the national banks; and for the gentleman to assume that the national bankers, in behalf of whom he speaks, are so unsound in finance as, the very moment they get a chance to deplete their reserve by sending in for redemption \$165,000,000 of greenbacks, promptly to do it, is at once to cast an imputation on them which they do not deserve and to put the gentleman from Indiana himself in the position of being an alarmist to an extent with which even he ought not to be charged.

#### THE CURRENCY REFORM YET NEEDED.

I will recall, sir, rising to-day, the first time that I rose to address the House in this Congress. It was during the debate on the repeal of the purchasing clause of the Sherman Act. I had the honor then to present a memorial from the New York Chamber of Commerce. At that time, as you may well remember, there had come pouring in from every quarter of the country, East and West, North and South, memorials in favor of the repeal of the purchasing clause of the Sherman act, nearly all of them telling you that if this were done immediate prosperity would follow, and leaving it to be implied that nothing else was necessary.

Such, sir, was not the character of the memorial from the New York Chamber of Commerce. Its members knew too well the exigencies of the situation. That memorial asked for two things: First, that, so far as the quality of our currency was concerned, confidence should be restored by the repeal of the purchasing clause of the Sherman act; and, second, that our country should have an opportunity to develop its business under conditions that could only be brought about by the establishment of some plan for a safe and elastic currency.

They were right, sir, in the first suggestion. Immediately upon the passage of the bill repealing the purchasing clause of the Sherman Act, the currency stringency with which we were then faced, the currency famine which then paralyzed the finances of the country, came promptly to an end. And the event showed that those men were right also in believing, in knowing, indeed, that there was something else to be done before our country could arrive at that modicum of prosperity to which, with our national resources, we were entitled. Since that time—since November 1, 1897—so far from there having been a remedy of the particular evils which the repeal of the purchasing clause of the Sherman Act was designed to cure, we have had an absolute freedom from those evils, proving that that repeal was right and was politic; but we have been faced with other evils of an entirely different character, showing that the Chamber of Commerce of New York was right when it demanded at the same time that, as a condition precedent for any reasonable prosperity to this country, there must be matured a plan for a safe and elastic currency, to take the place of the petrified system that had mocked our needs for the last generation.

Now, sir, in answer to that demand—first voiced by the New York Chamber of Commerce, but when the situation came to be appreciated coming almost unanimously from all parts of the country—the Secretary of the Treasury has proposed, the President has indorsed, and the Committee on Banking and Currency have considered and reported, a plan for the development of a safe and elastic currency, instead of the rigid financial strait-jacket with which we are pinioned. And, sir, whatever may be the de-

fects of this bill in detail, there are included in it, so plainly set forth that he who runs may read—unless he runs away from it—the two great reforms which are demanded by the business men of this country.

#### GOVERNMENT TO GET OUT OF CURRENCY BUSINESS.

The first is that Government shall stop interfering with the business of its citizens to the demoralization of that business; that the Treasury shall stop meddling with our people and leave them to work out their own salvation undisturbed by political vicissitudes. Is it not about time that our Government got out of the currency business? Is there a man on either side of this House who, as he looks back over a generation of disgrace, would not prefer to forget how we made our greenbacks a legal tender and had to learn by experience that the law could not make people value them at more than they thought they were worth? Would it not be pleasant if we could bury beyond the reach of resurrection the fact that our war cost us twice as much as it ought to have done, on account of the depreciation of the currency which we brought about by law? Would we not all like to forget those disgraceful passages in our history when the "bears" of Wall street—not the bankers, not the merchants, not the reputable business men, but the speculators who like harpies were gloating over the carcass of the business public that they had hounded almost to death—waited at the end of the ticker for news from Washington as to whether the Treasury Department would interfere this way or that way or the other way, and were paying eavesdroppers at Washington for stolen information, in order that the interference of Government might be used to enable them to coin fortunes out of the misfortune and ruin of honest men?

Did we not have enough of it then? Or if we needed more, did we not get sated with that kind of experience in 1893, when the business of our country came to a dead stop, and the Treasury and the national banks rivaled each other in demonstrating their absolute incapacity to meet the financial situation into which we had been forced by attempts further to meddle in the fruitless effort to remedy the results of earlier meddling? Have we not had enough of it now, when during the last year we have seen on two different occasions the steadily rising wave of superfluous greenbacks drench the Treasury and draw forth as it receded the stores of gold that ought to have been held there to maintain confidence in our currency and trust in our Government? Have we not had enough of it when we can see another wave coming on in the near future, and all this the result of legislation which was passed by Republican majorities in both Houses of Congress, but for which not a single man on either side has now any excuse to offer? Is it not about time that our Government went out of the currency business, in which it has demoralized the country and disgraced itself?

So, sir, if that were the only good feature of this bill, it would have to be a very bad bill indeed in a great many other particulars before I would hesitate for one moment in preferring it to the system for which it is proposed as an alternative, and which system not a man who has spoken in opposition to this bill has dared for a moment to stand up and defend.

#### SPECIAL AGAINST GENERAL SECURITY.

Again, sir, in addition to the political reform proposed by this bill, a most important financial reform is proposed—a reform in our whole system of security for bank-note currency. The old

and now discredited theory, the theory upon which we have been going in the national-bank system, has been that of special security—has been based upon the idea that if you put up securities worth \$100 or \$120, or some other sum, you may take out currency to be issued against it amounting to \$80 or \$90, or some other sum. In other words, the theory has been that the currency business has no proper and necessary connection with anything except the question of security. The other theory is that of general security—the theory that currency is only an incident to the legitimate business of bankers and of merchants; that it ought to spring from and be limited in proportion to that business which it is designed to serve; and that it is safest and best if, being so limited, it is left to depend in the main upon the natural resources of such business for its safety. Let me illustrate.

We had before the war such special-security systems as I have described in Wisconsin and Indiana, and since the war we have had the special-security system of the national banks. When the war broke out the merchants of Wisconsin were, on the whole, solvent. Their commercial paper was met at its maturity. They did not ask for extraordinary renewals of loans, and no bank which had currency outstanding limited in amount to a reasonable per cent of the amount of its short-time commercial paper could have failed to provide for every cent of it on demand.

The same was the case in Illinois. The business of Illinois was sound; the merchants of Illinois were paying, as they became due, the notes they had had discounted at the banks; and if any bank had had outstanding an amount of currency at all reasonable as compared with the amount of its short-time commercial paper outstanding there would not have been a single bank in the State of Illinois that would have dishonored one of its bills when presented for redemption. Nor in either Illinois or Wisconsin would there have been any considerable number of bank notes presented for redemption from any feeling of uncertainty. As a matter of fact, however, in both the States mentioned, rumors, to some extent afterwards verified, affecting the negotiable value of the securities upon which their circulations were based, brought about runs upon their banks and a cataclysm of their bank-note issues.

In 1893 we had an example of the helplessness of our national banks, when they attempted to use their bond investments. You know, all of you who have inquired into the matter or who had an opportunity of witnessing the fact, that at that time, even though you had Government bonds, it was as impossible to raise money on them as it would have been to raise it on real estate. In the streets of New York the pavements were worn smooth with the tramping up and down Wall street and Broadway and Exchange place of bankers from all parts of the United States, who were carrying around Government bonds for sale and who could not find a bidder for them. Indeed, the very first bill introduced in this House—after the bill to pass which Congress was convened—was a bill to authorize the deposit of Government bonds in the Treasury of the United States in order that the Comptroller might issue currency against them; this on the admitted ground that there was no currency market for Government bonds. And yet every day during that time when their commercial paper fell due the business men of New York were meeting it with a promptness which was never exceeded.

The special-deposit system is one which leaves a bank or a State or a Government, holding securities upon which currency

has been issued, to wait until a panic comes and walk the streets and beg for aid, or let the securities be hawked about just at the time when they can not be sold except at great sacrifice, to get money for the purpose of redeeming its currency. The general-security system, on the other hand, gives the bank power to issue only a certain amount of currency, that amount being limited strictly in proportion to the capital of the bank—legitimate business it transacts—the call loans and discounts of short-time commercial paper it has made. When a panic comes the bank can rest comparatively easy, for it knows that the business men of its community must do their utmost to gather every cent in the community to bring to the bank.

Under the special-security system when a panic comes the extent to which the bank may meet its obligations, currency or otherwise, must depend on the extent to which it can induce shylocks to bid for its securities. In the other case, through the business men of each community, the bank has a lien, so to speak, on every bit of currency in the community, and the business honor of every merchant is pledged to see to it that in meeting his own maturing paper the trouble of the bank is remedied as far as he is able to remedy it by bringing currency into its coffers.

Not merely is the natural security for a currency properly based upon general business more available in times of stress than the artificial provision of special deposit of bonds, but the former has every advantage over the latter in the matter of elasticity. I should like to dwell at length upon this point, but it is fortunately becoming so well understood that it is unnecessary to do more than suggest it. It is obvious that when, with every expansion or contraction of the currency, a great change in security investment must be had—with the inevitable result of sacrifice between the enhanced value of securities caused by an increased demand and their lessened price inevitable when any considerable quantity is returned to the market—any attempt to meet the suddenly arising and temporary wants of business is so obstructed as practically to be forbidden. But if the currency is based upon the general business of the institution issuing it, the varying demands of business can be met without delay and at a minimum of trouble and cost. The rigid currency permitted by the special-security system involves high interest when business men most need money and a speculative plethora at other times. The system of currency based upon general business insures the lowest possible interest at all times of the year and the most delicate adjustment possible of currency supply to currency demand.

#### THE BILL IN DETAIL.

I would like, Mr. Chairman, to dwell much longer on this particular point, but I see the time is passing fast, so I will take up the bill in detail. In its first section the bill provides for the substitution of general instead of special securities, and that point I have already discussed to some extent.

In its second section it provides for a limitation of currency to 75 per cent of its paid-up and unimpaired capital. In other words, the currency which a bank may issue is limited to a certain proportion of its unimpaired capital—that is, in proportion to its legitimate business; for the capital which can be profitably employed in banking is almost invariably in proportion to the amount of legitimate call loan and discount business to be transacted at the point where the bank is located. It is not a question of whether the banks of the country shall be able at once to redeem all of

their currency and pay all of their depositors. There has never been, and never will be, any occasion in this country when if such a demand were made on the banks they must not fail at once, for the simple reason that there never is and never will be—and there never ought to be—a period in our history when the amount of absolute money in existence is, or will be, or ought to be, equal to the currency and deposits of all of our banking institutions. The only requirement you can make of a bank—the highest requirement you can make—is that it shall have the power, in the most prompt and certain way, with least expense to itself, to have available to redeem its currency the largest proportion possible of the money that is actually in the community. And if you have a good bank, with a certain amount of capital, doing the business that such a capital demands for its profit, holding commercial paper for two, three, or four times the amount of its capital, calling it in at frequent intervals, then whenever a stress comes the one thing that that bank can be sure of is that it will have at its disposal, through the efforts of the men who owe it and must meet their notes, all the currency that the business men of that community can raise. Under no conditions can any institution have greater or better resources. So much for security.

The other question is as to whether this provides sufficient elasticity to the currency. The experience of countries most like our own, where the uses of currency are most nearly in the same relation to their business that are ours, shows that about 50 per cent of banking capital can, on the average, be safely and profitably used in the shape of currency. That is what I believe would be the case in this country under normal conditions. Under present conditions there is not room for even the use of 50 per cent; but should we have our greenbacks retired and the fiat money of the Federal Government taken away, so as to give room for the legitimate issues of business currency, I think we would ordinarily use, in the shape of currency issued by our banks, about 50 per cent of their capital.

Now, between 50 per cent and 75 per cent is a margin of one-half, or 50 per cent of the normal amount of currency which would be out in ordinary times. This, it seems to me, and in this I believe I will be concurred with by every member of the Committee on Banking and Currency on either side of the House, is sufficient margin for elasticity. As an actual fact experience shows that ordinarily about 35 per cent is enough margin for elasticity between the highest and lowest amount of a circulation within a reasonable time.

#### OBSTRUCTION TO ISSUE DESTRUCTIVE OF ELASTICITY.

Now, as regards other conditions, the question of elasticity of currency really simmers down to a single point—the lack of obstructions to its issue and return for redemption. There is no bank but what, as one of the objects of its existence, would be glad to loan any amount that it profitably can loan, and to issue any amount of currency that it safely can issue, in order to enable it to extend its loans, provided it can get proper security.

Now, under our present system, the law—not merely in the particulars in which the gentleman from Indiana [Mr. JOHNSON] himself suggested it ought to be amended, but most of all in its provisos as to bonded security—imposes an obstruction upon the issue of circulation which goes far toward destroying its elasticity. Omitting minor provisions, let me recur to the one proviso as to the deposit of national bonds.

It is perfectly well understood that if, at a time of stress, it becomes desirable for banks to issue more currency, and they should attempt to meet the wants of the country in that regard, it would be necessary to purchase in the open market fifty, one hundred, or two hundred and fifty millions' worth of Government bonds. Does anyone imagine that such quantities could be bought up so as to permit new circulation to be issued without an increase of price of bonds caused by the sudden demand, and a very material difference between that price and what they would have to be sold for after that demand was over? Does anybody imagine that a bank could issue currency under those conditions except at a sacrifice which is practically prohibitory?

We had an example only last year. There never was a time in the world when we wanted circulation so badly as in August of 1893. There never was a time when the national banks of the country, with such unanimity, attempted to give it to us, and the actual fact was that they could not get bonds in and get them deposited and make the exchange (except under conditions prohibitory on account of the loss involved) in time to get that currency out until in the main it was no longer needed. But the conditions are too well known to need further illustration. Our currency is inelastic. It is inelastic because the cost of and obstruction to getting it out are such as to deter and practically to prohibit the banks from meeting any emergency, and of course when the emergency is over then there is no inducement to provide for a future emergency which may not, and it is hoped will not, occur.

The result of an inelastic currency is not so much a loss of profit to the bank as it is higher interest to borrowers; and that is one of the reasons why throughout this country everywhere, except in a few seaboard centers, where foreign money is easily procured, the inelasticity of our currency has made interest anywhere from 2 to 5 or 10 per cent higher at some times than it otherwise would have been.

Now, in addition to this limitation of the currency to be issued by the banks to 75 per cent of their capital, there are certain safeguards, so called, provided by the Carlisle bill.

#### GUARANTY FUND.

The first one is that called the 30 per cent guaranty fund. When you come to consider the other safeguards that are provided there was not a financier who appeared before us who thought that that fund was necessary. The Secretary of the Treasury admitted that it was not necessary; the Comptroller of the Treasury admitted that it was not necessary; and both of them admitted that the insertion of that proviso was not so much to give necessary security to the currency as to provide a scheme of outdoor relief to the Treasury. I quote from their statements to our committee:

Mr. WARREN. In addition to that, under your plan you have the 30 per cent deposit of legal-tender notes. Do you regard that as necessary for reasonable safety, or is it out of superabundant caution that you require it as an experiment for the time being?

Secretary CARLISLE. I think I ought to say in reply to that question that I do not regard it as absolutely essential to the safety of the notes, but I think it is a wise precautionary measure, inasmuch as the Government is to be entirely exempt from liability for redemption. I think that it is a provision which will operate for the benefit of the Government.

Comptroller ECKELS. The question will undoubtedly occur to many people: Why should the banks be required to deposit this 30 per cent of legal tender, whether because it is necessary to make absolutely certain the redemption of the notes, or for some other purpose? Frankly, I do not believe that it is

necessary for the security of the notes. I believe that with a proper safety fund, raised by a proper rate of taxation, the notes issued would be perfectly safe.

In other words, it is not a fund to guarantee the soundness of the currency so much as it is to guarantee the peace of mind of the Secretary of the Treasury. And it is ridiculous to talk about \$30 put up somewhere being a guaranty for \$100 somewhere else.

Indeed, in view of the other safeguards to which I shall later refer, and which I believe to be entirely sufficient, I believe that this guaranty fund provision should be stricken out of the bill in regard to both the national-bank currency and also in regard to the State-bank currency provided. It is not because that, even if left in the bill, the bill will not be a great improvement over the present plan. There is no question but what the currency would be more elastic, the tax upon issuing it less, and the interest charged to borrowers less, even though the 30 per cent deposit clause be left in it.

But there are two reasons why we should not have the 30 per cent guaranty fund in the bill. In the first place, while I am in favor of the Government retiring its fiat money, I am not in favor of saddling upon our currency the embarrassments of our Treasury, with the result of making the borrowers of this country pay higher interest. There is another reason why I do not believe in this 30 per cent guaranty fund. It is because I believe that if proper elasticity in our currency is secured by the other provisions of the bill it will not be necessary otherwise to protect the Treasury and the country from being drained of gold.

Let me explain. There are three things which have been referred to as promoting export of gold from the country, and the consequent presentation of greenbacks and Treasury notes to draw gold from the public Treasury. One is the fact that there has been a deficit instead of a surplus in our revenues. In other words, to put it plain, so long as we are spending faster than we get in we shall deplete our Treasury, and as a result we shall either pay out the gold we have or be brought steadily nearer to the time when we must do so. And so long as you have a continuing deficit, and the Government is getting worse and worse off, there is more and more probability that its demand obligations will be offered by timid holders and gold demanded.

#### GOLD EXPORTS CAUSED BY INELASTICITY.

But another cause of our loss of gold, and the cause which I believe to be more potent than all others, is the inelasticity of our currency, by which, in times of business depression, we are apt to have a redundant currency. When this country has occasion to use a certain amount of currency in the business of this country, if the business of this country can legitimately use it in its concerns, then if there are \$200,000,000 more of currency on hand than the business of this country can thus use, there is a surplus or plethora to that extent.

The result of that surplus or plethora is that more money is offered on call loans, or for discount of commercial paper, than can possibly be accepted by those who want to borrow and can give security for it. The result of that is that the rate of interest falls. A great part of that money is foreign money. A great part of it belongs to houses here which are connected with houses abroad. If interest in this country falls below the current rate of interest in Germany, in England, or in France, and circum-

stances here are such as to make those who own the deposits, representing that money here, believe that that state of things will continue for a considerable time, they transfer their surplus funds from this country, where they are not wanted, to the other side of the ocean, where they can be used at a more profitable rate. And as in Europe they recognize no money but gold, the result is the shipment of so much gold from this country.

Again, if you are holding your money here in bank and getting 1 or 2 per cent upon call, you are very much more likely to look around for securities in which to invest than you are when you are getting 5 or 6 per cent, and therefore a surplus of currency, bringing about a low rate of interest, produces a general desire for investment. Now, the moment you enter the market with a large amount of investment funds and attempt to pick out securities you are, in a sense, draining the world. There is no investment security of any great reputation or extent but what a considerable proportion of it is held abroad. Therefore when you buy so many shares of Erie, or New York Central, or of Sugar Trust, or of any great investment stock, you are more or less drawing stocks from the whole world; and to the precise extent that those securities come from other countries gold will be drawn from our banks and sent abroad to pay for them. In other words, plethora of our currency means low interest here, and in both the ways I have noted, tends to make gold go abroad.

Now, take the opposite case. Suppose that business revives and our currency is needed here, and interest gets high, then people who have their money invested in securities bearing a low rate of interest will sell them. A part of those, even a small part, will ultimately be sold in Europe, and the gold will come back from Europe to pay for them. Money lenders will withdraw their funds from Frankfurt and Paris because they find that the interest that they can get in New York is higher than the interest they can get there, and they will send their gold to this country in order to meet the increased demand here.

The inevitable result of a plethora of currency here is therefore to send gold out of this country and the inevitable result of a demand here for more currency is to raise the rate of interest and to bring gold into this country; and "confidence" and "surplus revenue" have no more to do with the working of that overmastering power than they have to do with the tides of the ocean. They may to some extent aggravate or alleviate its effects; but the actual fact is that if we have a surplus of currency in this country gold will go abroad, and if we have a demand in this country for more currency than we can use in business, then gold will start to come hither from foreign countries. A most striking example of what I have just been saying was shown in our panic of 1883. There never was a time of late years when our country was in worse condition, both actual and prospective. There never was a time when there was so little confidence in the power of our Government to maintain gold payments. And yet, simply because our people got scared and created a temporary demand for more currency than could be supplied, the gold receipts of the Treasury from customs increased from almost nothing to nearly two-thirds of the whole receipts, while gold from abroad poured in upon us like a river. In other words, on the one occasion when we have seen the workings of this great cause set over against the workings of the other two causes we have seen it result that the question of a surplus or of a stringency of currency has swallowed up the other questions—of confidence and of sur-

plus or deficit—as did Aaron's rod those of the Egyptian magicians.

Now, sir, I do not see how this 30 per cent deposit of greenbacks in the Treasury is to increase the elasticity of the currency. Therefore I can not see how it is going to have any permanent or vital effect upon the extent to which gold will be drawn from the Treasury. In other words, my belief is that the other provisions of this bill will make our currency so elastic that it will expand and contract in accord with the business needs of the country, and therefore will put an end in a great measure to any such exports of gold as will make any special draft upon the Treasury, or induce or permit it to be hoarded outside and withheld from payments to the Treasury. But if it does not do that—if I am mistaken in my belief as to the result of the other features of this bill—then it seems to me clear that the 30 per cent deposit of greenbacks is no protection to the Treasury, and that gold will be drawn from the Treasury and exported from the country just as promptly and to about as great an extent as it would have been had not this deposit been required. For it must be remembered that no remedy short of the retirement of the whole mass of greenbacks can prevent those outstanding from being used to draw gold from the Treasury if there is any object for anybody to do so.

I indeed, I understand the suggestion I have just made to be concurred in by the Secretary of the Treasury. I quote from his statement last week to the Committee on Banking and Currency:

Mr. WARNER. In relation to the receipts of gold in the Treasury, is it not true that any development of business by which the demand for currency became greater would tend to increase the amount of gold paid into the Treasury?

Secretary CARLISLE. I think so.

Mr. WARNER. Is it not true that in 1893, for example, one of the results of the stringency then was to increase the amount of gold paid into the Treasury?

Secretary CARLISLE. Yes; it came in quite rapidly, so that we were able to build up the reserve. Then it was withdrawn for exportation, and we had to build it up again. The Treasury Department accumulated, I suppose, during that summer and fall a gross amount of \$30,000,000 of gold, but it went out again.

Mr. WARNER. Is it not possible that, under any currency system so elastic as to keep down the outstanding circulation to the amount required by the business of the country, the proportion of gold received in the Treasury would be much greater than it has been for the last few years?

Secretary CARLISLE. I think so.

Mr. WARNER. So that it might result, from proper elasticity alone, that Treasury receipts would be to a much greater extent than of late?

Secretary CARLISLE. It might.

I now yield a moment to my friend from Pennsylvania [Mr. BROSIUS], who, I understood a while ago, wished to ask me a question.

Mr. BROSIUS. I do not know that I apprehended exactly the gentleman's idea. He was speaking of the relation between a redundancy of the currency and its elasticity. I was going to inquire at that time whether he referred to the inelasticity of the bank currency or only of the Government paper, or did he speak of the aggregate?

Mr. WARNER. As a matter of fact, our Government paper is inelastic—

Mr. BROSIUS. True.

Mr. WARNER. And our coin currency is practically inelastic. Therefore the only relation in which elasticity or redundancy or deficit of currency can be considered is with relation to our bank-note currency.



Now, I want to call attention to the fact that while the bankers who came before us admitted that this 30 per cent deposit would be an obstruction to the issue of currency, and to that extent would impose an extra tax upon borrowers in the shape of a higher interest rate, not one of them claimed that it would deter the banks from going into this plan; not one of them but admitted that, even though thus burdened, the Carlsile plan provided a more elastic currency than the present system. It is therefore not on behalf of the bankers, but of the borrowers who will have to pay interest to the banks, and who will have to pay more interest, if you put more obstructions in the way of the banks supplying them, that I make the appeal that we take from this bill the 30 per cent greenback deposit clause. The banks do not care about it, but the borrowers will when they find out its effect. The banks can charge it over to their borrowers; the borrowers can not charge it over to anything except their own misfortunes, which this provision will increase.

Mr. PENCE. What does the gentleman propose in lieu of the guaranty fund?

Mr. WARNER. As I proceed with my remarks the gentleman will hear my answer to that question.

#### THE SAFETY FUND.

Now, in addition to the so-called guaranty fund I have just discussed there is provided a safety fund raised by taxation (it ought to be called assessment) of the banks themselves, which is intended to produce a maximum of 5 per cent upon the total amount of outstanding currency. That is to say, it is not the 3 per cent of the currency of any one bank that is held to secure the redemption of its currency, but 5 per cent of the total amount of the whole bank currency authorized under this bill is to be held for the protection of the currency of any single bank that may fail. And in addition to that, and to be used before the 5 per cent safety fund is drawn upon, the provisions of the present national-bank law are continued, that the currency of each bank shall be a first lien upon all the assets of the bank, and in that its stockholders shall be liable not merely to have their stock swallowed up in redeeming its currency, but may be assessed to an equal amount in addition, if necessary for that purpose, before the safety fund shall be intrenched upon.

Now, I believe that with those provisions this currency is as safe as it is possible to make a currency that is to serve the purposes of bank-note currency. There is just one kind of currency which would be more safe. If you should issue certificates against billion deposits and allow no currency to circulate except that which represented the actual wealth of metal thus hoarded, you would then have a currency as absolutely safe, and as absolutely inelastic, and as absolutely useless to meet the demands of business as it would be possible to have. It is just like learning to swim. You can avoid all danger of drowning by keeping away from the water. And that is the case with bank-note currency. An absolutely safe currency is an absolutely worthless currency, except for purposes for which the bullion for which the note stands would have done just about as well. I believe, however, that so far as it is possible to secure the safety of available currency, this Carlsile plan makes a safe currency.

The safety fund is a "Lloyd's insurance," to which each bank contributes, for the insurance of its outstanding currency. The only question is whether that insurance is too high or too low. I

believe it is too high, and if I had to propose a bill I should not propose so high a rate. But when the banks themselves in their assembly at Baltimore proposed to insure their outstanding circulation at that rate I can not find much fault with the Secretary of the Treasury for accepting their extraordinarily conservative estimate as the proper one, at least, for him to start out upon. As for myself, not taking the analogy of losses under the national-bank act—the imperfections of which analogy I thoroughly recognize—but taking the experience of the State of New York itself, I believe that 3 per cent would be a fully adequate fund.

We had, for a generation before the war, what was known as "the safety-fund system" in the State of New York. It provided a tax upon the banks to raise a 3 per cent fund. At that time there was no proviso for the registration of the notes that were issued by such banks, so that a bank might have outstanding, of genuine notes, hundreds of thousands of dollars more than became known publicly until the bank failed and the notes were presented for redemption. The whole business of counterfeiting then flourished, and it often happened that thousands of dollars of counterfeit notes were paid out of the fund held for redemption before it was discovered that the genuine notes were still outstanding. By the wording of the act the safety fund was held responsible not merely to pay for the circulating notes of the banks, but it was used also to pay depositors, and it was depleted by more than a million dollars to pay claims which should not have been charged against it at all.

We were then running under three different systems. Our banks had different charters. Some of them issued currency up to the par value of their capital stock, and sometimes 150 per cent of it. And under that system we went through two of the worst currency panics this country has ever seen, the panics of 1837 and 1857. And yet, Mr. Chairman, with all of that experience before us, taking the figures of the actual losses and the actual proceedings in regard to that fund, it is developed that it would have been sufficient from the very beginning, if only it had been held to protect the currency alone, and had not been drafted upon to pay depositors.

It would have redeemed the exuberant currency of failed banks which were issuing by law more than their capital; it would have paid the excessive issues of banks which had issued notes to a large amount in excess of the authority granted by law; it would have paid all of the counterfeits which were foisted on the redemption fund from time to time; in other words, under conditions as far from conservatism and safety as it is possible to conceive, the 3 per cent safety fund of New York proved to be more than sufficient for all legitimate purposes of such a fund. Upon that excellent banking system, it seems clear that the 5 per cent guaranty fund is liberal—unnecessarily large.

#### MUTUAL RESPONSIBILITY OF THE BANKS.

In addition, there is inserted in the bill a further provision for the security of the currency, to wit: That the banks shall be mutually responsible each for the circulation of all, after other resources have been exhausted. Now, Mr. Chairman, I object to that. I object to it not because I believe it would be a heavy tax on the banks—if it would, that would be a reason why it should not be left out—but I object to it because I believe that the other provisions are more than sufficient to secure the safety of the currency.

I do not rely entirely on the fact that the Secretary of the Treasury and the Comptroller of the Currency and every bank officer and expert who came before us admitted that it was needless: I do not rely upon the fact that the banks object to it; for if that was all I knew in regard to it I might share the suspicions of some of my friends and think it a good reason for leaving it in. But I object to it because, believing, from my calculations made with reference to other suggestions, that the currency is safe without it, I can see very serious objections to its insertion here.

One objection was well stated by a witness before our committee, I think Mr. Butler, of Connecticut. He stated squarely that he did not believe under that provision there was a possibility of any bank ever being called on for a single cent, and that he would not have any hesitation to risk his own money on that assumption. But he said, and I think every member will appreciate the force of the suggestion and respect its motive, that "in dealing with my money I have a right to figure out risks, and even though they be unwarranted, to assume them if I think proper. I have an undoubted right to risk my own money, but I have no right to risk the money of others committed to my charge in assuming an unlimited liability, no matter how inconsequential I may think it to be."

I believe that every depositor, not merely in his bank but in every bank throughout the country, will say "amen" to the principles and practices of Mr. Butler, of Connecticut, in that regard.

Mr. PATTERSON. Will my friend allow me to ask him a question for information?

Mr. WARNER. Certainly.

Mr. PATTERSON. This 5 per cent safety fund that you think is a sufficient guaranty, when it gets to 5 per cent what happens?

Mr. WARNER. It stops, unless losses compel the assessment to be resumed.

Mr. PATTERSON. If losses compel it, then the assessment is resumed again?

Mr. WARNER. Yes.

Mr. PATTERSON. Now, the point I want to get at is, suppose a bank fails, or several banks fail, and these failures are more than sufficient to absorb the safety fund. Then would assessments made in the future be used for the payment of those losses?

Mr. WARNER. Unquestionably.

Mr. PATTERSON. And in that way the assessments would go on and on until the losses were all paid?

Mr. WARNER. Exactly; just as they did in New York. In New York we had the experience that the depositors got the fund which was meant to be put there for the benefit of the circulating notes, but it was made up by further assessments and the circulating notes paid.

Mr. HENDRIX. Will the gentleman state what the law is on the statute books in New York now, after that experience to which he refers?

Mr. WARNER. My impression is we now have the free-banking act in New York, under which we had what might be called a system of security banking, after which the national banking act was in a large measure modeled; that that act, however, was passed in the stress of political exigency and while the safety-fund act was in successful operation; and that the reason why the free-banking act was passed was in order to stop what was called the monopoly of the banks that had gone in under the safety-fund act; and in all that I think my colleague [Mr. HENDRIX] will agree.

Now, I have mentioned one reason why, although of no benefit to the note holder, this proviso of unlimited mutual liability of banks would be a deterrent to keep the best banks out.

Another reason is this: Taking the example of the last panic for instance. We know how little our people know about banking, or even the law under which banks are run and currency issued. Supposing we have a bank in the city of New York, the Chemical Bank, the strongest bank in America if not in the world. Now, when banks fail in Wisconsin, and our people know their currency to be discredited, or do not know whether it is or not—and that is the case with the most of depositors—when banks fail in Colorado and Washington, and the papers every morning contain the most lurid news of what is going on, the people of New York may get an impression that things are going to the dogs all over the country.

Now, if this mutual-liability clause is not in the law, they know that the Chemical Bank, if it takes out circulation, has simply to pay its assessment, pay, say a maximum of one-half of 1 per cent or 1 per cent a year on its circulation, to make good a safety fund. And no matter how many banks break anywhere else, not a man will withdraw his deposit from the Chemical Bank as a consequence. But if, in conjunction with the news of disaster and banks breaking all over the country, some paper in one of our principal cities should call attention to the fact that the deposits and the resources of every bank in that city were pledged in unlimited liability to make good the currency of the banks which are breaking, you would almost surely have a run upon sound banks by their depositors, whom no amount of argument or instruction could teach what was the real truth in the matter before they had ruined alike themselves and the banks in their community. That is another reason why I object to this unlimited-liability clause in this bill.

Mr. TALBERT of South Carolina. This bill provides for both State and national banks. Does the mutual liability clause extend to all alike, or does it extend only to national banks?

Mr. WARNER. The mutual liability clause extends only to national banks.

Mr. BLACK of Georgia. Does not the Baltimore plan recognize the principle of mutual liability?

Mr. WARNER. The Baltimore plan recognized the principle of mutual liability up to the point of levying an assessment at a maximum fixed rate for the redemption of the circulation of broken banks, which had not been redeemed from other sources, but it expressly discarded the whole question of unlimited mutual liability on the part of banks, and proposed to put the final responsibility on the Government.

I want to say right here that it would be poetic justice to these banking associations—who got up the Baltimore plan, and after having provided what they considered proper safeguards for their currency were so cute or were so careless as to suggest, in order to please everybody, that the Government should assume unlimited liability—if they found themselves saddled with it. But the trouble is, we are not dealing with poetry; we are dealing with a matter-of-fact situation. If we establish a currency system we want it so established as to bring into its service the best and most conservative banks; and they are just the ones that would be greatly deterred by this unlimited liability clause. I do not believe, as some of the witnesses have said, that the banks would not go into it. I do not believe after a few years it would

make much difference. But I fear that, for the present, we would see the strong banks stay out in a large measure; and I believe we would have to depend for relief on a smaller number of banks and upon fewer of the strong and conservative banks than we would promptly have at our disposal if that liability clause were out.

Mr. BLACK of Georgia. Did not the Baltimore plan provide for it up to the point of 5 per cent?

Mr. WARNER. It provided for a tax which it was proposed should accumulate up to 5 per cent, and should stop there; and in case any draft should be made upon it that would reduce it to less than that figure, that it should be reimbursed.

Mr. BLACK of Georgia. Did not the Comptroller have the right to call upon all the banks to make the 5 per cent up again?

Mr. WARNER. He had the right to call upon all the banks, at the rate of that limited tax per annum, and to keep it up at that rate until the fund was restored.

Mr. BLACK of Georgia. Up to 5 per cent.

Mr. WARNER. Yes.

Mr. BLACK of Georgia. But if the 5 per cent fund was diminished, were not the banks to be called upon to make it good?

Mr. WARNER. The next year, so far as the limited assessment would do it.

Mr. PATTERSON. I understand the fact to be this 5 per cent fund is made up by an assessment or tax of one-half of 1 per cent on the bank circulation, and that continues until the fund becomes 5 per cent.

Mr. WARNER. You are right.

Mr. PATTERSON. And then, whenever there is a failure, that out of that 5 per cent fund the circulation of the banks is redeemed. After they have failed then the Comptroller of the Currency reimburses that fund and all the banks pay half of 1 per cent per year until the fund is restored.

Mr. WARNER. That would be an admirable amendment in case the gentleman should secure it to be substituted for the actual provision in this bill. That is much like the Baltimore plan. The actual provision in this bill is that if the immediately available assets, etc., "are not sufficient to reimburse the redemption of these notes (of a failed bank) that the said fund shall be at once restored by pro rata assessments upon all the other associations according to the amount of their outstanding circulation." It is absolutely without limitation.

Mr. COOMBS. Is it the understanding of the gentleman that they may be assessed up to the extent of 5 per cent?

Mr. WARNER. It would be the duty of the Treasury officials to assess the banks sufficiently to make it up immediately to the 5 per cent, in addition to raising such amounts as the reports already made to him showed the fund would be depleted by notes and circulation not otherwise redeemable.

Mr. COOMBS. So I understand.

Mr. BRICKNER. If I understand the gentleman he stated that the best and strongest banks would not go into this system.

Mr. WARNER. Mr. Chairman, I believe that the strong banks would ultimately go into it; but I also fear that they will be very deliberate about doing it.

Mr. BRICKNER. Is it not a fact that the strongest banks that have taken out charters under the national bank act are not issuing a dollar of national currency?

Mr. WARNER. That is not so. It is true that some very strong banks are not issuing a dollar of currency; but it is equally true that the strong national banks as a whole are issuing currency.

Mr. BRICKNER. Does the Chemical National Bank issue any currency?

Mr. WARNER. The Chemical National Bank does not issue any, and I am glad that the gentleman has recalled that bank in this connection; because it shows how far removed is its cause for not issuing currency from any question of conservatism. It is simply because its directors are too proud to issue notes which are not on their face redeemable in gold.

Mr. BRICKNER. Have not they (with some other banks, one in Chicago, I believe), by reason of getting that charter and the privilege of using the word "national," gained a great deal of strength and public confidence, which they are now abusing.

Mr. WARNER. Mr. Chairman, I admit that of all the things that are absolutely indefensible under a Government such as ours is the permission given, under a national charter, to banks to go on and transact a strictly local discount and banking business, permission to do which ought to be the exclusive prerogative of the States—this while they in turn fail to do a single thing which should entitle them to consideration as national institutions.

Mr. COX. In order that there may be no misunderstanding about it, I desire, if the gentleman will allow me, to call attention to the provision as to the other banks being assessed to make up any deficiency in the 5 per cent safety fund. This bill goes further than that, for it provides that when a bank fails and is not able, out of its own immediate available assets, with the 80 per cent guaranty fund paid in by it, to pay up its circulating notes, then the other banks are to be assessed for that purpose. And the bill goes a step further when it provides that the banks that contribute to make good this 5 per cent fund are to have the first lien upon the assets of the failing bank.

Mr. WARNER. There is no question about that. It is to the vagueness and the indefiniteness of the guaranty that the banks object, not to any amount that they expect to lose as a consequence of it.

#### NO NOTES LESS THAN TEN DOLLARS.

As to the requirement that no national bank notes of less denomination than \$10 shall be issued, I am not sure but that this is a wise provision—though had I drafted it I should have limited the new currency to notes of \$5 or over. I should have done this, however, not specially to make a place for silver and silver certificates in order to relieve the Treasury from possible trouble in their regard—I do not believe in embarrassing the currency of this country with the troubles of the Treasury—but in order to leave the mass of the money in the hands of the greatest number of our people, just the ones who, in any case of distrust of note currency, are the first to become alarmed, and, though each can do but little, cause in the aggregate a great amount of trouble—as nearly as may be such as needs no redemption. This may not be important, but I think it worth while taking into account. If, however, we are to attempt effectually to limit the denominations of bank notes in order to make room for coin currency, we must apply the same limit to the State bank issues as well. To be sure each of these latter will be to a great extent local; but with local issues of small bills in every locality of the United States I fail to see any additional room provided for a greater quantity of coin currency.

## GOLD BANKS.

As to the provision for banks which prefer to have their notes payable in gold, that is simply a continuation of existing law—of no moment to us in the "gold-bug" East, except as a pleasing reminder of the extent to which business men in the so-called silver States are accustomed to insist upon payment in gold.

## TAX ON CIRCULATION.

Now, Mr. Chairman, section 3 of the bill provides for a tax upon circulation of one-quarter of 1 per cent every six months for the support of the Government of the United States. To anybody who believes that it is worth while or proper not merely to tax the property of banks (to which I have no objection), but to tax their facilities for lending money, so as to make them charge higher rates of interest to borrowers, there can be no objection to such a provision as that. I do not believe that the facilities for issuing currency should be taxed at all, any more than the facilities for keeping a grocery store, and I believe it is just as impolitic and oppressive to put a tax on bank circulation, so that borrowers in distress will have to pay higher rates of interest, as it would be to put a tax upon the sales of grocery stores so as to compel the wage earners of our country to pay more for their daily bread. I am one of those free traders who do not propose to stop with leaving untaxed the goods end of a transaction. I hold that if you tax the money end of a transaction you put an obstruction in the way of exchange just as thoroughly as though you laid a protective duty on its importation.

Mr. RICHARDSON of Michigan. Does this tax of one-half per cent apply to State banks as well?

Mr. WARNER. It does not; and that is one great recommendation of the bill to me. If any State is fool enough to levy a tax upon the facilities for supplying money to borrowers within its borders I want to see that State try it and find out how its borrowers like to pay higher interest than is paid in other States; and if the United States insists upon limiting the extent to which its national banks can be of use to the public by putting an obstruction at their very doors which makes the getting out of their currency more expensive, I do not want to see, under the guise of Federal power, a State forced into the same rut, or State institutions subjected to the same disabilities. I am perfectly willing to abrogate all tax on the currency. I believe in taxing the property of banks, but not the currency of banks. It is a good point with me in this bill that the tax does not apply to the State banks. I think it ought not to apply to the national banks either.

Mr. RICHARDSON of Michigan. My idea is that the effect of applying it to the one set of banks and not to the other would be to make a discrimination in favor of the State banks.

Mr. WARNER. My dear sir, if my father discriminated against me by keeping me on half the rations that your father allows you, the way to do is to try to make some kind of reform in my father, and not to put you also on half rations. [Laughter.]

Mr. RICHARDSON of Michigan. Do not misconstrue me. It is not that I favor this tax in itself, but I think if it is to be applied to one set of banks it should be applied to the other as well. If you apply it to one, apply it to the other; if you leave it off one, leave it off the other.

Mr. WARNER. Starving one kind of circulation is no remedy for having starved another kind. Give both a chance if you can; but give a chance to one, if you can not to both.

## REDEMPTION FACILITIES.

Now, it is proposed by this bill that the redemption shall be left to the banks alone, and I believe that that in itself is a pretty good idea. In other words, our present system of redemption is really a system of obstruction. Had I not already taken so much of the time of the House I would give the figures; but I will state, in round numbers, that the total redemption of notes in the ordinary way, as distinguished from reissues of mutilated or soiled currency and the redemption of currency of failed banks, was only about \$40,000,000 in this country last year, upon a national-bank circulation of \$200,000,000, and that the natural redemption which without the aid of law, as a consequence of the normal elasticity of the currency, which business men of their own accord will bring about, is such that under the Suffolk bank system before the war, when communication was much less prompt than it is now, the annual redemption was \$400,000,000 upon an outstanding circulation of less than \$50,000,000.

That shows how utterly inadequate are the facilities for redemption now provided by Government. It shows how necessary it is to at least give greater facilities for redemption and to put the power into the hands of those who will use it better and more effectually for the securing of an elastic currency than it is now used by the Treasury of the United States.

Mr. BYNUM. Is it not because of the confidence that the people now have in the currency that there is no call for redemption?

Mr. WARNER. No, sir. For example, there is a provision in our present national-bank act by which, in payment of a debt to any national bank, whether from another bank or from an individual, the notes of any other national bank are practically legal tenders. As a result of this, the banks of each community are absolutely helpless to get currency back to its source for redemption—unless they take it in and express it from day to day—unless they want to wait longer and lose the interest to the issuing banks.

If it were not for this provision the result would be that, although on ordinary occasions the banks of most communities would be willing to take the notes of other national banks, yet, when there came a plethora such as we have had of late, they would say to merchants of those communities who were circulating the notes of other banks—which in the main would not get to those communities except by special arrangement by which those merchants were making a profit—"You will have to put in those notes as special deposits, if you deposit them at all." As a result you would have each community in the United States carefully avoiding the taking of the notes of banks as to which it did not know somewhat of their solvency or as to which it did not know that those banks had a redemption agent in that section of the country.

The power would be sufficient; it would not have to be exercised once probably in a year; in most of our larger cities, possibly never. But the power to exercise it would absolutely cut off the possibility of profit from schemes of sending currency to far-off regions of the country in the hope of having it kept long outstanding, instead of being brought back for prompt redemption.

In addition to the desirability of a repeal of that provision of our present law to which I have just alluded, I appreciate the great extent of our country, and also the fact that on account of the peculiar conditions of our commerce there are times of the year when our currency naturally sets in one direction and other times when it sets in the opposite direction. I believe myself that

if the matter were left entirely to the banks, each strong bank—every bank which proposed to keep out any considerable amount of currency—would arrange for redemption agencies in the chief cities of the United States, so that actually no difficulty would arise. I am aware, however, that for the short time during which this act would be getting fully into operation it would be problematical how far or how promptly that would be brought about; and, although I am opposed to putting into legislation those matters of detail which in general should be left to business men themselves, I see no objection, in view of the universal practice and experience in banking, to providing, as a prerequisite of issuing currency under this act, that the bank shall have made arrangements for the redemption of its notes at redemption centers, which shall be designated in the act. In the Canadian banking act it is provided that each bank "shall make such regulations as are necessary to insure the circulation at par in any and every part of Canada" of all its notes; "and toward this purpose the bank shall establish agencies for the redemption and payment of its notes at the cities of Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg, and Victoria, and at such other places as are from time to time designated by the treasury board," and a similar provision might be useful here.

#### GREENBACK RETIREMENT.

This bill provides for retiring the greenbacks from our surplus revenues. Now, I am willing, under present circumstances, to take even its meager suggestion of the intention of our Government to go back to an honest and conservative business basis, if I can not get anything better. But, sir, I wish that this bill might be so amended as to provide for an issue of low-interest-bearing bonds to withdraw from circulation the greenbacks—the operation of this measure to be limited in proportion to the new currency to be issued, so as not to force a stringency.

Now, the reasons why I am in favor of a bond issue, instead of letting these greenbacks be retired by use of a problematical surplus, are two. In the first place, I believe that the honest thing for a man or a government to do if he or it owes a demand note is to pay it; or, if he or it can not presently do so and does not want that obligation brought up at any moment, to give a note for a definite time and pay interest on it. That, however, is a matter in reference to which I regret to say my opinions are not entirely in sympathy with those of some of our friends.

But there is another reason, in support of which I believe I can enlist every man on this floor, and that is this: If you issue bonds to take up the greenbacks, you must provide by taxation for a certain amount of money yearly to pay interest upon them, be it \$10,000,000, \$12,000,000, \$15,000,000, or whatever it may be. Now, taxation is unpleasant; and I do not believe in taxing a people except when it is necessary, and then only to the extent that it is necessary. But we have got to meet this debt some time, and my idea is that we can not be too prompt in devising some plan by which the wealth of this country can be levied upon to pay its debts, either immediately or by deferred payments, with interest meanwhile.

The proposition, however, to pay this from the surplus, involves two factors. One is that you are going to raise an excess of taxation so as to produce a surplus in order to pay off the bonds. You either mean that, or else your proposition is a sham. But does not every man on this floor know that, as compared with raising a definite amount to pay the interest on a bond issue, or a definite

amount from year to year to cancel the principal of the indebtedness, the expense will be doubled, trebled, and quadrupled upon the American people if you permit everybody who wants high taxation to raise the cry, "Oh, we are going to use the surplus to pay off the greenbacks." When that surplus is raised, and you have ten or twenty or thirty millions of dollars in your Treasury, do you think that it will be used for the purpose of paying off the greenbacks?

Do you not know that it will be a temptation to every spend-thrift who manages to get into public life to have it expended in some scheme or other—that the excuse to secure a big surplus to pay off the greenbacks will be constantly used for the purpose of continuing taxation or imposing heavier taxation on the people? It is because I believe that the common people, the wage earners of this country, those in moderate circumstances, can better afford to pay their fair share of the amount necessary for the retirement of this debt than to have unnecessary taxation heaped upon them under the pretense of raising a surplus to pay off the greenbacks that I favor a bond issue for the purpose of retiring them rather than the scheme proposed in the bill.

Mr. PATTERSON. How rapidly would you pay them off?

Mr. WARNER. My dear sir, I do not believe you would be justified, until we get to more favorable conditions under the present tariff, in making any estimate as to that; and it seems to me that these bonds should be issued at low rates of interest for as large an amount as is required for the retirement of the greenbacks, the bonds to run for probably five or ten years. But when we have been able to determine what the receipts and expenditures will be under the new law, then we can make calculations as to the rate at which we wish to cancel the debt. This is the way all debts of the country have been paid off in the past.

Mr. TRACEY. But you would then make the currency outstanding dependent somewhat on the amount of these notes?

Mr. WARNER. I do not believe, as a matter of fact, that we have a right arbitrarily to expand or contract the currency. My belief is that, under the operation of this bill, the bank-note currency will with more or less promptness adjust itself to meet the business wants of the community. And I believe that with more profit in issuing currency, the only trouble will be to prepare the bonds fast enough to retire greenbacks as they are replaced with the new currency.

Now, another word in regard to the recommendation for the issuance of bonds to take up the fiat money outstanding. I am told that it should be engrafted on the bill or that the bill should be killed. If any one of these gentlemen that so suggest had proposed a measure for the retirement of our legal tenders he would have found in me a most ardent supporter.

I am ready to vote for such a measure, either in this bill or outside of this bill, or before this bill or after this bill; but, although I have the greatest respect for his intentions and motives, I confess I have not the greatest respect for the strength of his argument when, after having sat here until this time without it occurring to him to bring in a bill to do what he believes to be the one thing necessary in order to save the finances of this country, any Representative here insists that this bill should be killed because somebody else has not done what he has omitted to do.

In other words, I am willing to take this bill, with the meager provision that there is in it, if I can not get more; and if my

friends will help us, either in the consideration of this bill or by a separate bill, to get more, if they believe it can be done in this Congress—if the proposal is made for any other purpose than the killing of this bill and keeping us from getting anything at all—they will find no one more ready to help them than I.

Mr. SICKLES. Will the gentleman yield for a question?

Mr. WARNER. Yes.

Mr. SICKLES. I had not the pleasure of hearing the earlier part of the gentleman's argument.

Mr. WARNER. You were fortunate.

Mr. SICKLES. Possibly the gentleman may have covered the ground suggested in the question I wish to ask: What, in the judgment of my colleague, is the principal difficulty now in the currency of our country?

Mr. WARNER. The principal difficulties with the currency are two: First, that the conditions of its issue are so obstructive and expensive as to cause, in times when any considerable amount is needed, an extraordinary and unjustifiable expense to borrowers; second, that the conditions of its issue are such that it is unable with sufficient promptness to respond to anything like a sudden or a casual demand, and practically keeps outstanding about the same amount throughout the year, making a sort of average of currency issue, which as infallibly produces a speculative plethora in the months when the whole amount is not needed as it produces financial stringency in the few months when more is needed.

Mr. SICKLES. Then my colleague does not apprehend any danger from the drain of gold from the country?

Mr. WARNER. The drain of gold, as I attempted to explain, was, in my opinion, caused primarily by such a plethora of currency from different causes as to lower the interest at our commercial centers, and to make investments in securities more profitable than loans that can be made from deposits, and thus to induce either the sending abroad of currency to pay for a part of the securities purchased or the sending abroad of currency for other use there, the remittances abroad in each case being necessarily made in gold.

Mr. SICKLES. Upon that summary of the situation, I wish to ask my colleague if, in his judgment, this bill meets those difficulties that he has pointed out so clearly and will correct them?

Mr. WARNER. It does not meet them as fully as I wish it did. I believe, for example, that the 30 per cent greenback deposit required, with the failure to repeal certain provisions in our present national banking act, will make this bill somewhat less beneficial, perhaps, than it otherwise might be; but, as compared with our present system, I have no hesitation in saying that it affords a great measure of relief in precisely the direction that the gentleman has indicated.

Mr. SICKLES. Would the funding of the Government money add to the efficacy of the bill?

Mr. WARNER. By itself alone it would do so only temporarily. The funding of the Government money—

Mr. SICKLES. Government paper.

Mr. WARNER. Greenbacks.

Mr. SICKLES. Greenbacks.

Mr. WARNER (continuing). Would unquestionably do a great deal not merely to restore but to maintain that confidence in the soundness of our currency which is one of the greatest necessities of prosperous business. I believe, however, that such a plan as is

outlined in this bill would tend to keep the currency at about the amount that would from time to time be needed by the business of the country; and it is in the elasticity that would then be given our currency—in the fact that, instead of occasionally having a practically forced plethora which would send gold abroad, the circulation would automatically contract to the proper wants of business—and not to the mere withdrawal of the greenbacks that I should look for permanent relief from this danger of gold shipments.

Mr. SICKLES. I thank the gentleman very much for replying to my inquiries.

Mr. BRYAN. May I ask the gentleman a question?

Mr. WARNER. Certainly.

Mr. BRYAN. In the opinion of the gentleman from New York, I should like to ask him whether, if all the greenbacks and Treasury notes were retired, the Government would be under the necessity of redeeming silver and silver certificates in gold, on presentation, in order to maintain the parity between the metals?

Mr. WARNER. Mr. Chairman, I do not think that this bill would make the slightest difference in that regard. It is a question of discretion and of what good faith demands toward the creditors of our country.

Mr. BRYAN. What in your opinion would good faith in that respect require?

Mr. WARNER. My opinion is that no man and no Government that expects to live long enough to have another creditor can ever afford to pay any creditor except in the money which is the best at the time.

Mr. BRYAN. Will the gentleman state whether up to 1873 it was necessary to pay our debts in silver because silver was then at a premium over gold?

Mr. WARNER. If our creditors at the time of the war or between the war and 1873 preferred silver it would have been the most utter fatuity to have paid them anything else. We would have only been exhibiting either our prejudice or our folly, and would have lost a vastly greater amount by inability to borrow at low rates than we could possibly have lost by any difference in exchange.

Mr. BRYAN. I desire to ask the gentleman another question. I always like to ask the gentleman questions when a matter of this kind is under debate, because he is entirely frank in his answers. I want to ask the gentleman whether in his opinion the refusal of the Treasury to redeem silver certificates and silver dollars in gold when gold was desired for export, so that the man desiring it for export would have to go to the bank in order to get it, would not result in putting gold at a premium over silver?

Mr. WARNER. Mr. Chairman, I think whenever this Government goes into the business of inquiring into the motives of a man who goes to its counter with its obligations it will destroy its own credit and ruin the business of the country so far as that business is dependent upon confidence in the Government.

Mr. BRYAN. The gentleman from Massachusetts—

Mr. TRACEY. The gentleman knows that at present the Government has refused to exchange silver certificates or silver dollars for gold.

Mr. BRYAN. I know.

Mr. WARNER. I did not yield for an argument.

Mr. BRYAN. The gentleman from Massachusetts stated that it was the custom in France to inquire the purpose before paying in the metal which the man desired.

Mr. WARNER. That is an impertinence which may be tolerated in France under an imperial government, or the arbitrary character; but I should not want to see it brought here, and I should be very sorry if the people of the United States should tolerate such a practice.

Mr. BRYAN. Does the gentleman think when a holder of a silver certificate presents it for a silver dollar that he should not have gold if he demands it?

Mr. WARNER. I believe that when the Government has given the slightest intimation to anyone who holds its securities that he shall have the best money it would be good policy that he should be paid in the best money.

Mr. BRYAN. Has it given that assurance?

Mr. TRACEY. But the Government has not used gold in payment of the silver certificates.

Mr. WARNER. I appreciate the point the gentleman [Mr. TRACEY] raises, but I do not believe in it. It may be true, and I have no doubt that it is true, that no silver certificate has been redeemed in gold; but, sir, if it should become understood that any silver certificate or any other paper money that we permit to circulate in this country under our present system, where the Government has pledged itself to maintain the parity of the metals, is not directly or indirectly redeemable in gold if the holder wishes it, the result would be equally fatal to the credit of the Government whether the discredited currency was greenbacks or silver certificates.

#### CLOSING OUT OF BOND DEPOSITS.

Mr. Chairman, the sixth section of this bill is merely formal. It needs no particular reference. The seventh section of this bill is formal, except in so far as it provides for the retirement from the Treasury, at a definite day in the near future, of the bonds now on deposit for the security of the national-bank currency. As to that, Mr. Chairman, I am opposed to it. I do not believe that it is either good policy or good faith to require the banks who have now bonds deposited under their current charters to withdraw them before the expiration of those charters, if they shall see fit, under the expensive restrictions of the national-bank act, to continue their bonds there.

I do not believe in compelling a bank to take out any kind of currency, at the expense of disappointing its proper expectations under the charter which it holds, if that bank has any reason otherwise to stick to the present kind of currency. And I have enough courage of my convictions in regard to those two kinds of currency to say that nothing would please me better than to see this provision stricken out of this bill, and then let gentlemen who object to the currency now proposed see how mighty little of the national-bank currency would be outstanding six months after its passage.

As to this great bingaboo, this crash that is to be brought about by the withdrawal of these bonds, or by the contraction of the circulation as a consequence, I confess that I have not been able to understand it. If it is suggested that the throwing on the market of two or three hundred millions of securities, owned by unquestionably solvent holders, will in any way demoralize the market, all I have to say is that the suggestion must come from one who

has had no experience in finance. If it is meant that the banks will immediately withdraw this amount of circulation and thus make a contraction which will injure the business of the country, then all I have to say is that the last thing I can imagine a bank doing is to rush its bonds upon the market with the result of selling them lower than it could sell them if it disposed of them gradually; or pulling in its currency while the community still wants and is willing to use it. Every dictate of interest, every suggestion of probability, is against any trouble coming from this provision of the bill as it stands, although I do not believe in it.

#### REPEAL OF 10 PER CENT TAX.

Now, sir, it is proposed that we repeal the tax on State-bank currency on certain conditions. I am very doubtful whether it would not be better for this Government, going out of the banking business, simply to repeal that tax unconditionally; but I am perfectly aware that if it did so we could not for a considerable time get any great measure of relief from the State-bank currency proposed to be issued. In eleven States of this Union the State constitutions do not permit a single cent to be issued by a State bank, and in nearly every one of those remaining the State banking laws are such that, however inadequate they may be in themselves, yet when superadded to the conditions which the Secretary provides in this bill, they would make it unprofitable for State banks to issue currency. What is more, the Secretary's plan itself provides for a deposit of greenbacks with some State officer, and there is not a single State in the whole country any of whose State officers are now authorized to receive any such deposits. In other words, the growth of State-bank currency, either under the condition of absolute repeal of the 10 per cent tax or under the conditions of this bill, must be slow, must be tentative, must depend upon constitutional or legislative changes in the several States.

#### NO "WILDCAT" BANKING IN 1866—NO DANGER NOW.

The real question is whether there should be any Federal restrictions at all. Thirty years ago there was no valid excuse for putting on these restrictions. This tax was not put on in war time. It took effect on the 1st day of August, 1866. It was not put on to crush out the State-bank currency because it was bad; it was put on to drive that currency out of circulation because it was good, because the people had such confidence in it that they would not take national-bank notes. Even at that time men talked about "wildcat" banking as a matter of the hoary past. When that proposition was under discussion there were suggestions made as to the great beauty of a uniform currency; but throughout the length and breadth of those debates there was no suggestion made that at that time the State-bank currency was in any condition which required this tax in order to obviate any evil connected therewith.

The tax, I repeat, was put on because that currency was too good, and not because it was too bad. The era of wild-cat banking had passed nearly a generation before the war. It existed at a time when and as a consequence of the fact that there was no proper communication between the different sections of the country, and therefore the people of each section were left practically dependent upon the extent to which the capitalists of that section, or the capitalists of other sections acting through agents there, should furnish them with currency. At that time and under

such conditions the people of one part of the country could not keep informed of the standing or resources of banks in other parts of the country, and communication was so imperfect and slow that each locality did not have, as it does now, the resources of the whole country at its disposal. There is not a single Territory to-day—I believe there is not a single county in a single Territory—in which conditions are not now more favorable for a full supply of a sound currency and more unfavorable to an unsound currency than they were in the State of New York or in the State of Massachusetts before the war. It is just as absurd for my friend from Indiana to imagine that we shall have "wild-cat" banks in either his own State or any other State as a consequence of this bill as it would be for him to imagine to-day that he needed a bodyguard to keep the wild-cats from eating him because he was going over a highway which, now the main street of a populous city, ran through what was a wild-cat region fifty years ago. [Laughter.]

#### CONDITIONS SUGGESTED FOR STATE BANK CURRENCY.

Now, Mr. Chairman, as to these conditions, I am free to say that I do not entirely like them. I believe that if you are going to impose conditions—

Mr. TALBERT of South Carolina. Please explain the nature of the State and national bank issues. Is the State money to be national or State? Is it not to be uniform?

Mr. WARNER. Under the act as proposed by the Secretary there are certain conditions imposed upon the banks which I believe are such as to provide for a sufficiently elastic currency. At the same time I do not believe these conditions are so imposed as to be most effective for safety or most profitable for the banks themselves. For example, it is proposed that the Comptroller and the Secretary of the Treasury are to be satisfied as to certain facts involving the condition of the State banks which may try to take advantage of the proposed plan. No examination is expressly provided for. The Secretary of the Treasury, however, informed us in committee that of course they would have to make an examination of the affairs of those banks; and I take it for granted that they would not—they could not—be less exacting than they are now in the examination of national banks.

Now, if you are going to have examinations—if they are practically involved in the provision which you adopt—why not examine State banks and receive their reports and publish their status just as you do with regard to the national banks? The people of this country will be better satisfied with such a system; and as for the banks themselves, the Secretary of the Treasury himself admitted that if this were done the most valuable advertisement that a sound bank could have would be the publication of the results of such examinations, and that the advertisements of the banks in nine-tenths of the cases, just as with the advertisements of our insurance companies, would consist of the publication of the whole or a part of the reports thereon.

Mr. WARNER. As a matter of fact, Mr. Secretary, would not these examinations which would take place in fact, although not expressly provided for in your plan, probably be in the end the best advertisement that a bank of issue could have, just as in the case of examination of insurance corporations nine-tenths of their advertising consists of the publication of the results of examinations?

Secretary CARLISLE. Undoubtedly that would be the case with the banks.

#### ISSUE AND REGISTRY OF STATE BANK NOTES.

Another matter: It is provided by the bill under discussion that the paper for the notes may be furnished by the Government. Now, if the Government is going to furnish the paper—presum-

ably to make counterfeiting more difficult—I can not see that there is any reason why the Government should not also print the notes and register the issues. If the Government should do that the banks will get their notes cheaper than they can in any other way; and in addition to that the public will be assured against overissue and, as far as possible, against counterfeiting, the precautions against that being brought under Federal law, just as is now the case with national bank notes.

#### OTHER SAFEGUARDS.

Other provisions are intended to assimilate the safeguards proposed for State bank issues to those provided for national bank notes. As to these, it would seem to me best that their existence should be determined as a condition precedent rather than subsequent to the issue of the notes; that in addition the Federal officials should make public the examinations which even under the Secretary's plan they must make anyhow; and that not merely as to paper but as to the printing and registry of the notes the Treasury Department should exercise the full administrative functions—not in control of, but in service of, the State banks—that would be most conducive to security on the one hand and to assisting their circulation on the other.

Mr. BLACK of Illinois. Does the pending bill make it obligatory upon the banks to obtain the paper for their notes from the Government?

Mr. WARNER. Not at all.

Mr. BLACK of Illinois. Does it make it obligatory upon the Secretary of the Treasury to supervise the issue of their notes?

Mr. WARNER. It does not.

Mr. BLACK of Illinois. Then all those things which the gentleman says might be guarded against by such supervision are not guarded against in this bill.

Mr. WARNER. I will answer my friend in this way: Some of them are not guarded against in this bill by Federal statute; but I will say for the people in my part of the country—and I believe I can speak for the people in the gentleman's part of the country—if I am wrong I hope he will correct me—that it is not necessary, in order to keep them from running down a steep place into the sea, that you tie them up on every occasion by Federal law. I have no question but that as a matter of fact, under the operation of State laws and under voluntary arrangements made by the banks themselves, supplementing the essential provisions of the Federal law as provided in the bill, even as it now stands, the very strictest safeguards would be put into operation and insisted upon; and, what is more, I believe that no currency could circulate which had not thus been made sound.

Mr. BLACK of Illinois. My question was whether this bill made those provisions.

Mr. WARNER. It does not.

#### NO DISCRIMINATION AGAINST NATIONAL BANKS.

Now, Mr. Chairman, a question has been raised as to the preference alleged to be given by this bill to State banks over national banks.

It at first seemed to some as if the safety fund required in the case of national banks was a discrimination against them. The discussion, however, has developed two sides to this question. The safety fund is a feature of the Baltimore plan as well—is simply a mutual Lloyd's insurance of circulation at the premium rate suggested by the banks themselves. Not a cent of it goes to



Government or can be used except to redeem broken-bank circulation. The national banks themselves are most interested in such safeguards as shall insure public confidence in their notes. If experience shall show that the safety fund was needed the national banks will thereby secure a practical monopoly of circulation until the State banks shall have made equally safe provisions. If, as is probable, the safety-fund provision shall prove superfluous or excessive, the national banks will not be taxed to support it after the first few years. It might have been better policy to have required equivalent provision in the case of State banks. It can scarcely be said, however, that mutual insurance of their currency on terms proposed by the national banks themselves, in order to float that currency, is any discrimination against them. It is more probable that the omission to provide such a fund in the case of State banks is a virtual discrimination against the latter. Indeed, when it is remembered that in eleven States they are inhibited by statute (frequently constitutional) law from note issues, and in most of the remainder are hampered by statute requirements which, however inadequate in themselves, are prohibitory when to them are added the Carlisle conditions, and also that throughout the Union they include only banks which thirty years' experience has won from circulation and accustomed to other methods of business and sources of profit, it can be appreciated that for years to come the provisions for State bank issues, though of great benefit to many localities, will be in the main of political rather than of financial importance, and that the national-bank circulation will in any case hold the field.

If I had drawn this bill I might have thought it better business policy to assimilate the two systems in one or two other items, including the safety fund. Yet nothing is plainer than that, whatever the effect of the bill as now drawn, it does not, in this regard, discriminate against national banks.

#### TAX ON CURRENCY.

There is one other matter, however—the tax upon currency. It is true, unquestionably, that this bill provides for a tax upon the national banks which it does not levy upon the State banks. As to that, all I have to say is that if this Government insists upon burdening its agents in their efforts to serve the people, I see no reason for urging that as an objection to letting the State appoint agents to serve their people without that burden. As a matter of actual fact I have no doubt that many States would for a time be foolish enough to impose an equal or even a greater tax upon their State issues. But whether they do so or do not, the question with us is whether that tax shall be left on or taken off the national-bank currency; and it is not for us to complain of the policy of a State which, as to its own institutions, may or may not impose such a tax.

#### RESERVE REQUIREMENTS.

As to the repeal provision of section 8 so far as it strikes out the requirement of a reserve fund in case of the national banks, I can not commend it, though I am free to confess that I do not believe it matters very materially whether it be left in the bill or not. But as a matter of principle, if it be true—as I think it is—that the United States has no business to interfere with the policy which a State may adopt with reference to the business of discount and deposit within its territory, then it seems to me to be demonstrated beyond all question that the United States has no business to scatter all over every State in the Union corporations

which are permitted to take deposits and transact a discount business without any reserve fund whatever—and exempt from any conditions which the State might see proper to impose upon them in common with its own institutions.

#### MULTIPLE CURRENCY.

A good deal has been said, Mr. Chairman, against what is called a multiple currency. In a general way I suppose all will admit that a certain amount of uniformity in the currency is desirable, such adequacy and uniformity of security and availability as will provide all our citizens, everywhere, with proper and safe facilities to do business. That is a desirable uniformity of the currency. But identity of currency is not necessary. The reason why it has been so insisted on is because we have had before us just that class of people who by business training and experience have learned to make technical identity rather than practical uniformity a question of their own personal convenience. To the bank teller the convenience of the business community is but a vague and practically forgotten matter when compared with his anxiety to avoid responsibility for taking counterfeit or uncurrent money. And at the mere suggestion of it he begins to shiver, without waiting to see whether he is dealing with romance or reality. Bank officials are naturally much more awake to the convenience with which they can do business than the convenience with which the business men of a community can get their business done. I do not mean to criticise them for this. It is rather to their credit that they do so jealously guard their own functions. But what I do mean to suggest is, that the temporary tremors of bank officials and clerks—for when they have learned by experience how little chance there is of their getting hurt they will be just as happy as now—are as dust in the balance when weighed with the earnest appeals of the business of this country for a currency that will serve its needs.

The conservative Mr. Williams may assure you that though self-respect has kept his bank from ever issuing a dollar of bank-note currency, he considers it the best system in the world, because in his half century of experience it has made him less trouble than any other he ever knew; the venerable Mr. Pratt, admitting that the Suffolk bank system worked beautifully, and repudiating fiat money on principle, may commend greenback issues and advise more of them simply because his tellers and bookkeepers have never been troubled by them; but the business world want a safe and elastic currency, administered by business rather than by political methods, so adjusted as to give the utmost possible accommodation to every part of our country, even if, until they get used to the new conditions, bankers and their employees prefer the old routine to which they have become wonted; and I submit if other conditions of a sound currency are reasonably subserved, that when you go beyond a certain point the question of uniformity is a comparatively immaterial one.

#### GRESHAM'S LAW.

A good deal has been said as to the operation of Gresham's law upon the systems provided by this bill; and it might be inferred from what has been said that Gresham's law was a sort of guardian angel for bad currency, hovering over the world, and, whenever it saw two kinds of money, bank notes or coin, attempting to circulate in a country, swooping down and driving good money off of the field. This would be very serious if it were true. But I do not understand that Gresham's law involves a novel principle of

currency or any uncommon trait of human nature. It is simply this, that it is so natural for us to prefer our own interest to that of our neighbor that each of us, if he has both good money and poor money, will pay his debts with the poor money if he can make his creditor accept it, and keep the good money for himself or pay it out to some one whom he can not make take poor money, with the result that the poor money is kept in active circulation and the good money hoarded or sent out of the country just as in Gresham's time. There is no Gresham law, or any other kind of a law, that says people will keep poor money when they can get good money for it. As long as poor money has a legal or virtual forced currency it will drive good money out of circulation; but whenever this poor money is made redeemable in good money it will be promptly offered for redemption and the good money will drive out, or call in, the poor money just as it did in Gresham's time. Whenever current redemption in good money is adequately provided, Gresham's law has no basis on which to operate. And human nature can be relied upon to make it hot for poor currency, provided good currency is at hand to assist in the fight.

#### NO CONFLICT OF JURISDICTION.

My friend from Indiana has worried about the conflict of jurisdiction between Federal and local authorities in case of the State-bank currency provided. And others have spoken, with all gravity, as though the lack of power on the part of the Comptroller to appoint a receiver of a State bank involved complete lack of protection to note holders. The trouble with my friends is that they seem to forget that when they were sent to Congress their districts were not drained of intelligence or patriotism, and that in their absence here, just as before they came to Congress, the courts in their States are abundantly able to secure the rights of all owners, whether those rights arise under State or Federal law. They forget also that in any matter arising under a proviso of Federal law the Federal courts can take jurisdiction just as effectually as though it had been exclusively vested in them. "Oh," but my friends say, "what good does it do, if, when a bank stops paying its currency, the Comptroller can not shut it up?" Well, what good does it do if he does do so? Does it add a single cent of property to the assets of the broken bank? Does it add a single provision to the guarantees of law under which the assets will be marshalled first in favor of currency holders? But they rejoice: "Supposing nobody shuts it up?" That is a scarcely imaginable hypothesis; but after all, in case no note holder of the bank wishes it shut, and in case no creditor or stockholder or State officer or other bank, directly or indirectly responsible, wishes it closed, then I am ready to say that there would be nothing gained by giving the Comptroller a right to interfere when nobody under the heavens who was interested wished him to do so.

The royal touch has long been discredited as a remedy for scrofula; the Comptroller's fingers are even more powerless to turn bad assets into good ones. We are considering the question of treating with Japan upon the assumption that her laws and courts are sufficiently civilized in form and methods to protect the rights of all suitors before them, whether domestic or foreign. It seems to me that it is about time that we should show equal confidence in the judicial systems of our States—even though by repeatedly returning my timid friends to Congress they have lost their valuable services in local affairs.

#### OPPORTUNITY OF THE DEMOCRATIC PARTY.

Now, sir, as I have suggested, in a great many respects, this bill does not suit me; but as the gentleman from Missouri [Mr. HALL] reminded us yesterday, we have got to choose between letting stay upon the statute books the system which we now have, or adopting the one outlined by this bill, made better if we can make it so; but, even in the shape it is, still better beyond comparison than the present system. If we differ with its details, let us attempt to amend it. Let the Democrats upon this floor who are in favor of currency reform endeavor to perfect its details by adding such amendments as in their opinion will do so. Let us take full advantage of the microscopic criticism of our friends on the other side, and whenever they have found a comma misplaced, or an "i" not dotted, or a "t" left uncrossed, let us perfect it in those regards as well; but in any case let us perfect this bill along the line of the principles upon which it is drawn, and then let us put it into practical legislation.

Thirty years and more have gone since the Democratic party has had an opportunity to impress itself upon the currency systems of this country. A generation of currency disgrace has been the result—I will not say the intent—I do not charge them with anything but patriotic motives—of the legislation which our friends upon the other side and their predecessors have foisted upon this country. It is now our opportunity to give, and to give at once, a currency reform which shall restore to our people that use of credit currency that is absolutely essential to a great business nation like our own. It is in our power at once to vindicate our own common sense in the legislation which we shall adopt to redeem Democratic pledges by Democratic performance, and to do a patriotic service to our country which is not partisan enough to want to wait a couple of years more in order to let a Republican Congress learn how to give currency facilities to commerce.

It seems to me, sir, that this is our opportunity, and that we should utilize it. It is not a question as to whether our currency is going to be reformed. It is going to be. That is as certain as the stars are certain to rise. It is not a question as to the lines along which it is to be reformed.

The man must be blind to the signs of the times who does not see that upon the principles if not along the details of this bill this problem is to be settled. The only question for us to decide is whether we shall confess our inability properly to solve it and leave that duty to those whose places but shortly since we asked, because we were, as we claimed, more competent to legislate for the good of the country, or whether, to the credit of ourselves and our party, we shall contribute our share now to this great reform, which is certain to come. [Applause on the Democratic side.]

MSA 30264

**END OF  
TITLE**